

CLIFF STEARNS
6TH DISTRICT, FLORIDA

WASHINGTON:
2306 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-0906
(202) 225-5744
FAX: (202) 225-3973
WEB: WWW.HOUSE.GOV/STEARNS

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Congress of the United States
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Washington, DC 20515-0906

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TRANSATLANTIC LEGISLATORS' DIALOGUE
CHAIRMAN

October 27, 2011

The Honorable Julius Genachowski
Chairman
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20515

1538

Dear Chairman Genachowski:

Today's reform of the high cost program – the largest and most wasteful part of the Universal Service Fund (USF) – is significant. Coupling this reform with changes to the agency's Intercarrier Compensation (ICC) program is an important step forward. However, the work of the Federal Communications Commission (FCC) is far from over.

As a Member of the House Energy and Commerce Committee, serving as the Chairman of the Subcommittee on Oversight and Investigations and senior member of the Subcommittee on Communications and Technology, I have a unique interest in how the FCC tackles reform. The role of the FCC, as all independent agencies, is to carry out the will of Congress pursuant to its statutory grant of authority. As overseers, we must ensure that the FCC is not overstepping its authority prescribed by Congress, which at times the agency has unfortunately done.

However, reforming the Fund is an important agency action that the Commission does have the authority to do. As reform to these programs was voted on today, I do not at this time comment on the merits of the FCC's order. Instead, I point out that reforming the contribution factor to the Fund is the next logical step.

The contribution factor is the percentage of interstate end-user revenues that telecommunication companies pay, ultimately passing on this cost to their consumers. This percentage changes quarterly based on the needs of the Universal Service programs. Through the years this percentage has witnessed unfettered growth. FCC reports indicate that in the past decade the factor has grown 2.3 times – from 6.7% in 2001 to 15.3% today. No other customer in the world pays the rates that American consumers pay. Therefore, if the Commission is serious about reform, it will now address the contribution factor to the Fund.

☐ **OCALA**

115 S.E. 25TH AVENUE
OCALA, FL 34471
(352) 351-8777

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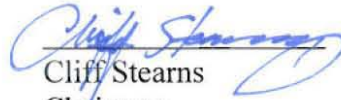
1900 S.W. 34TH STREET, #207
GAINESVILLE, FL 32608
(352) 337-0003

☐ **ORANGE PARK**

1726 KINGSLEY AVENUE, #8
ORANGE PARK, FL 32073
(904) 269-3203

Thank you for your attention to my concerns, and I look forward to the Commission's prompt action on continued reform.

Sincerely,



Cliff Stearns
Chairman
Subcommittee on Oversight and Investigations

cc: Commissioner Michael Copps
Commissioner Robert McDowell
Commissioner Mignon Clyburn



FEDERAL COMMUNICATIONS COMMISSION

April 9, 2012

JULIUS GENACHOWSKI
CHAIRMAN

The Honorable Cliff Stearns
Chairman
Subcommittee on Oversight and Investigations
Committee on Energy and Commerce
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Stearns:

Thank you very much for your support for the Commission's proceeding to reform the Universal Service Fund (USF), and your letter encouraging reform of USF contributions. I will ensure that your letter is included in the record.

As you point out, reform of the USF contribution system will build on the smart government reforms of Universal Service that the Commission has achieved over the last several months. Because the USF contribution burden is determined by the total amount of Universal Service funding given out each year, scrutinizing every USF program for waste and inefficiency was the first step to protect businesses and consumers from undue growth in the USF contributions. In October, the Commission unanimously and comprehensively reformed the USF high-cost program: We set an express program goal of minimizing the USF contribution burden, eliminated substantial waste and inefficiency, and put the program on a budget. In January, the Commission also adopted bipartisan reforms to another key part of USF—the Lifeline program—to eliminate waste and abuse. We put Lifeline on track to save up to \$2 billion in the next three years, keeping money in the pockets of American consumers that otherwise would have been wasted on duplicative benefits, subsidies for ineligible recipients, or fraudulent misuse of Lifeline funds.

By taking these steps, the Commission constrained the overall contribution burden on consumers and businesses, while expanding access to broadband for millions more Americans. As you note, addressing the contribution system is the next step. Building on our reform efforts to date, the Commission currently is considering reforms to the rules under which USF contributions are assessed, to ensure the system is predictable, fair, and stable.

I appreciate your interest in this very important matter. Please let me know if I can be of any further assistance.

Sincerely,

A handwritten signature in dark ink, appearing to read "Julius Genachowski", is written over a large, stylized checkmark. The signature is fluid and cursive.

Julius Genachowski